

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

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SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

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EO 11652: N/A

TAGS: EINV, CI

SUBJECT: GOC INTERVENES COPEC

REF: SANTIAGO 4896

1. SUMMARY. GOC INTERVENTION IN PRIVATE PETROLEUM DISTRIBUTION COMPANY, COPEC, MIGHT WELL HAVE ADVERSE EFFECT ON INVESTOR CONFIDENCE. END SUMMARY.

2. DIARIO OFICIAL AUGUST 8 PUBLISHED DL 1136 ISSUED BY MINISTRY OF INTERIOR WHICH PROVIDES FOR GOC INTERVENTION IN COPEC (COMPANIA DE PETROLEOS DE CHILE S.A.), A PRIVATELY-OWNED NATION-WIDE DISTRIBUTOR OF PETROLEUM PRODUCTS.. LAW DISSOLVES COPEC BOARD OF DIRECTORS AND PROVIDES FOR NEW NINE-MEMBER BOARD COMPOSED OF 5 DIRECTORS ELECTED BY SHAREHOLDERS AND 4 MILITARY OFFICERS (INCLUDING CARABINEROS) TO BE APPOINTED BY PRESIDENT PINOCHET. ACCORDING TO LAW, RATIONALE FOR INTERVENTION WAS THAT COPEC IS "PUBLIC UTILITY OF STRATEGIC CHARACTER."

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3. SUBSEQUENT PRESS REPORTS, MORE OR LESS SUPPORTED BY TRADE

SOURCES, IDENTIFY INTERNAL POWER STRUGGLE BETWEEN LARRAIN AND GUILLERMO SCHIESS SHAREHOLDER GROUPS AS REASON FOR GOC INTERVENTION. SAME TRADE SOURCES SAY ACTION SPECIFICALLY TAKEN AGAINST LARRAIN GROUP BY THOSE IN GOC WHO ARE AFRAID TOO MUCH ECONOMIC POWER, INCLUDING CONTROL OF INDUSTRIES BEING SOLD OFF BY GOC AGENCIES, IS BEING GATHERED BY TRADITIONAL OLIGARCHS LIKE LARRAIN (ONE OF THE ORIGINAL "PIRANAS"). OTHERS SEE MOVE AS ONE OF CONTINUING GOC ACTIONS TO PUNISH SCHIESS FOR HIS REFUSAL TO COOPERATE IN THE GENERAL TIRE/INSA CASE (REFTEL AND PREVIOUS).

4. IN ANY CASE, FACT THAT GOC INTERVENED IN PRIVATE COMPANY WITHOUT WARNING OR DISCUSSION WITH SHAREHOLDERS TROUBLES MANY OBSERVERS. TO EMBASSY KNOWLEDGE THIS IS THE ONLY STATE INTERVENTION IN A PRIVATE COMPANY SINCE COUP-RELATED TAKEOVERS CEASED IN EARLY 1974, AND IT IS IN DIRECT CONTRAST WITH THE GOC'S OVERALL EFFORTS SINCE THAT TIME TO GET GOVERNMENT OUT OF PRIVATE SECTOR. IN THIS CONNECTION, SOME OBSERVERS FIND IT OMINOUS THAT DECREE LAW CAME OUT OF MININTERIOR RATHER THAN MINISTRIES CONTROLLING THE ECONOMY, AND THAT, FURTHERMORE, PROMULGATION OF THE LAW APPEARS TO HAVE BEEN A COMPLETE SURPRISE TO ALL MINISTRIES OF THE GOC EXCEPT INTERIOR.

5. COMMENT: PUBLISHED REASON FOR TAKEOVER (STRATEGIC PUBLIC UTILITY) WOULD LOGICALLY BE EXTENDIBLE TO THE OTHER PETROLEUM PRODUCT DISTRIBUTORS IN CHILE -- ESSO AND SHELL, BUT OFFICIALS OF THESE COMPANIES, WHILE UNCERTAIN OF ALL RAMIFICATIONS, TEND TO BELIEVE REAL REASON FOR INTERVENTION WAS INDEED LARRAIN/SCHIESS DISPUTE. ONE OFFICIAL CONFIRMED THAT DISPUTE WAS SERIOUS ENOUGH TO HAVE BEGUN TO AFFECT COPEC OPERATIONS TO SIGNIFICANT DEGREE.

6. WHILE CHANCES OF DL 1136 SERVING AS PRECEDENT FOR SIMILAR ACTION AGAINST ESSO AND SHELL APPEAR NEGLIGIBLE AT THIS TIME, HIGH-HANDEDNESS OF GOC IN THIS CASE MIGHT WELL DAMAGE ITS ATTEMPTS TO INSTILL CONFIDENCE IN THE PRIVATE INVESTOR, BOTH DOMESTIC AND FOREIGN.
POPPER

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